Administration and Finance Committee Meeting
Tuesday, September 10, 2019 at 11:00 a.m.

The District's Administration and Finance Committee met in the Templeton Community Services District's Board Room on Tuesday, September 10, 2019 at 11:00 a.m.

Present: Committee Members Geoff English and Wayne Petersen. Also present were General Manager Jeff Briltz, Finance Officer Natalie Klock, Auditors Mike Zizzi and Neil Glass with Leaf and Cole, LLP Certified Public Accountants.

Annual Audit: Mike Zizzi, C.P.A. provided the Committee with an overview of the annual audit for the fiscal year ending June 30, 2019. He noted that the most sensitive disclosures affecting the financial statements were adjustments relating to GASB 75 (OPEB benefits) and GASB 68 pension benefits. He noted that net income had increased $4.6M over the prior year due to the grant receivable related to the East Side Force Main project and contributed capital. It was also noted that a possible single audit might need to be conducted after the District receives loan funding from the California State Water Resources Control Board. If the State provides the District funding from a federal source over $750,000 a single audit will be triggered. There was discussion regarding the audit process and what it entailed. Mike Zizzi with Leaf & Cole explained that they will provide an Independent Auditor's Report and only express an opinion of the financial statements. General Manager Briltz noted that with the updated GASB 75 actuarial staff had a better understanding on the District's OPEB contributions going forward. There was a request by the committee members for a future presentation about actuarial reports in a simplified format. There was discussion regarding the rotation of auditors within the firm and the term of the existing agreement.
Zizzi advised the committee that there were no difficulties encountered with management in performing and completing the audit, and with regards to management there were no weaknesses found.

**County Auditor's Checklist:** The Committee reviewed the County Internal Control response letter that was provided by Board members English and Petersen. The Committee members discussed reviewing a District policy to a Board agenda once a month much the same way the District does for District norms.

**Use of Solid Waste Franchise Fees:** General Manager Briltz advised the Committee that he had spoken to legal counsel regarding the use of Solid Waste Franchise Fees and that they could be used towards any bona fide District purpose. The general consensus was to use a portion towards Park & Recreation expenses, combining the Solid Waste and Park & Rec funds, surveying nearby CSD's and possibly paying down a portion of OPEB benefits. There was agreement by the committee members to hold a workshop style discussion at a future Board meeting regarding the future use of Solid Waste franchise revenue before the next budget development.

There being no further business to discuss, the Committee Meeting concluded at 12:56 p.m.

Respectfully submitted,

Natalie Klock  
Finance Officer
Templeton Community Services District
Administration and Finance Committee

Date: June 19, 2019

To: Templeton Community Services District Board of Directors

From: Administration and Finance Committee

Subject: Internal response to San Luis Obispo County Auditor-Controller, Best Practices Letter dated October 17, 2018

Introduction:
The Templeton Community Services District received a letter from San Luis Obispo County Controller-Auditor, James P. Erb dated October 17, 2018. (Attachment #1) The letter addressed the potential lack of financial controls and oversight by small organizations and districts in San Luis Obispo County. The letter addressed the role and responsibility for Board members and district staff at all levels to establishing and maintaining internal control systems that will promote accountability and help prevent the opportunity for fraud. A checklist of internal control items was included for review by the various small agencies in the County.

Although there was no requirement for the District to conduct review, committee members Petersen and English felt that it was prudent to go through the checklist of internal control check-list with staff to identify any potential weaknesses in areas that need to be addressed. It was also our intent to report back to the entire TCSD Board with our informal findings.

On Monday, June 17, 2019, Directors Petersen and English meet with General Manager, Jeff Brittz to review the Internal Control Checklist. (Attachment #2) Below are our informal assessment for each of the twenty-three (23) items listed on the Check list:

Internal Control Checklist Items:

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
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<tbody>
<tr>
<td>1 Does management set a good example and regularly communicate high expectations regarding integrity, transparency and ethical values?</td>
<td></td>
<td>X</td>
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<td>Response: The General Manager prepares and distributes Board meeting updates to staff routinely, Additionally, all required staff are provided with ethics training mandated by AB 1234.</td>
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<td>2 Does the agency have a policy covering potential conflict of interest?</td>
<td></td>
<td>X</td>
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<td>Response: Yes, the District has a Conflict of Interest Policy and also has related rules within the District's Employee Rules and Regulations. Committee Recommendation: Post the District's Conflict of Interest Policy of the website.</td>
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<td>3 Does the agency promote and foster trust between employees, supervisors, outside agencies and the Board of Directors?</td>
<td></td>
<td>X</td>
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<td>Response: Yes, the District has good working relationships with outside agencies, maintains active involvement in relevant professional associations and based on Board member assessment has a positive working environment for District employees Board Goals and Norms are posted for all to see. Committee Recommendation: To the extent possible remain active in relevant professional associations and stay engaged with other local agencies.</td>
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<tr>
<td></td>
<td>Question</td>
<td>Response</td>
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<td>4</td>
<td><em>Does the agency rotate their external auditors at a minimum of every 6 years as required by CGC 12410.6(b)</em>?*</td>
<td>Yes, the District does comply with the Government Code by rotating auditors, but does not rotate the Auditing firm. <strong>Committee Recommendation</strong>: Distribute a solicitation for Auditing Services upon completion of the term of the current agreement.</td>
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<td>5</td>
<td><em>Does the agency consider the information provided by external auditors about control-related matters and act on that information?</em></td>
<td>Yes, The District has not received any findings of material weakness in recent annual audit reports. Staff also works with Auditors informally to routinely make improvements to internal control systems.</td>
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<tr>
<td>6</td>
<td><em>Does the agency consider audit finding and take timely corrective action?</em></td>
<td>Yes, The District has not received any findings of material weakness in recent annual audit reports. Staff also works with Auditors informally to routinely make improvements to internal control systems.</td>
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<td>7</td>
<td><em>Are employees encouraged to provide recommendations for improvements?</em></td>
<td>Yes, The District does not have a formal &quot;suggestion box&quot; or establish process for submitting recommendations, but the general consensus of the General Manager and the Committee members is that ideas and suggestions from staff are encouraged and welcome. <strong>Committee Recommendation</strong>: General Manager to address Department Heads at future meetings to communicate the encouragement for open idea suggestions from all District employees.</td>
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<td>8</td>
<td><em>Does the agency promote continuous improvement and solicit input and feedback from employees at all levels regarding issues that may impact the entire office?</em></td>
<td>Yes, As stated in the previous question, no formal system for employee feedback is in place, however the general consensus is that an open and encouraging communication culture is in place. <strong>Committee Recommendation</strong>: General Manager to address Department Heads at future meetings to communicate the desire to maintain an organizational culture that promotes &quot;constant improvement.&quot;</td>
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<td>9</td>
<td><em>Do the managers share detailed budgets to actual information with the Board of Directors at least quarterly?</em></td>
<td>Yes, Monthly detailed budget reports are provided in Board packets.</td>
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<td>10</td>
<td><em>Does the agency have purchasing policies that are strictly followed?</em></td>
<td>No, District staff are working on an update to the purchasing policy. <strong>Committee Recommendation</strong>: Provide a report to the Board of Directors with draft revisions to the District's Purchasing Policy as stated in the Board of Director Goals for fiscal year 2019-2020</td>
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<td>11</td>
<td><em>Are all contracts or larger purchase (set by a purchasing policy) go through a Request for Proposal process?</em></td>
<td>No, not always. The draft update to the purchasing policy will establish guidelines for the RFP process. <strong>Committee Recommendation</strong>: Provide a report to the Board of Directors with draft revisions to the District's Purchasing Policy as stated in the Board of Director Goals for fiscal year 2019-2020 that includes guidelines for the RFP process.</td>
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<td>12</td>
<td><em>Does management share the results/scoring of Request for Proposal with the Board?</em></td>
<td>Yes, when this procurement process is used.</td>
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| 13 | Are performance reviews of specific functions or activities regularly conducted and unexpected results or unusual trends investigated and communicated to the Board?  
**Response:** Yes. Department reports with follow-up reports on events, significant projects and events are reported to the Board monthly. | X |
| 14 | **Does the agency regularly review actual program performance and compare it to objectives and budgets/forecasts, as well as historic performance?**  
**Response:** Yes, particularly financial comparisons during the budgeting process.  
**Committee Recommendation:** Provide periodic after-event and project review to the appropriate committee when warranted based on the General Manager determination. | X |
| 15 | **Does the agency periodically assess employee attitudes, review the effectiveness of the organization structure, and evaluate the appropriateness of policies and procedures?**  
**Response:** Yes. Informal assessment of these items are completed as necessary. | X |
| 16 | **Does the agency ensure all employees receive relevant information regarding grant requirements/conditions, legislation, regulatory development, economic changes or other external factors that may affect the agency?**  
**Response:** Yes, District staff routinely participate in webinars, receive updates on changes to legislation by CSDA and other sources. | X |
| 17 | **Do employees understand which records they must maintain and the required retention period?**  
**Response:** Yes, The District has a Records Retention Policy that is available to all employees.  
**Committee Recommendation:** Place the Records Retention Policy on the District’s website. | X |
| 18 | **Are financial duties (cash/funds inflows, outflows, and reconciliations) segregated among different people?**  
**Response:** Yes, District staff follow recommendations by District auditing firms and by industry best practices, however internal control procedures are limited by the small staff size.  
**Committee Recommendation:** Examine cash handling practices in the Recreation Department for potential changes if warranted. | X |
| 19 | **Is a listing of all disbursements, since the last meeting, presented to the board of Directors for approval either prior to the payment or after the fact if the Board only meets quarterly, at each Board meeting?**  
**Response:** Yes. An Expense Approval Report listing all District expenses is provided to the Board monthly. | X |
| 20 | **Are bank reconciliations performed by a person not responsible for making deposits or initiating payment within 14 days after the close of the banking period?**  
**Response:** No. Bank reconciliations are performed by a person not responsible for making deposits, however due to our bank reporting period, reconciliations are completed within 40 days, not 14 days. | X |
| 21 | **Are all assets (e.g. equipment) physically secured and periodically counted?**  
**Response:** Yes. The District has an asset inventory list.  
**Committee Recommendation:** Conduct periodic inventories of all District assets and equipment. Remind employees annually of the District Equipment Use Policy. | X |
| 22 | **Does the agency routinely spot-check transactions monitoring files, records, and reconciliations to ensure expectations are met?**  
**Response:** Yes. This task is completed through the annual audit process. | X |
| 23 | Does the agency regularly subject internal controls to a formal and continuous internal assessment process?  
**Response:** Yes. This review is part of the annual audit process through informal discussions with the auditing team and on a continuous process by District administrative staff. | X |
Administrative and Finance Committee member statement:
The informal review the County Auditors Internal Control Checklist was very constructive and based on our review, the Administrative and Finance Committee has made the following findings:

- TCSD was able to respond in the affirmative to 20 of the 23 Internal Control Checklist items presented by the San Luis Obispo County Auditor-Controller. Of the three (3) questions received a No response, two (2) are currently being addressed by District staff and are already on our work management plan. The third No response item is due to circumstances beyond our control.
- By and large, Templeton Community Services District staff have implemented and maintain internal controls for the various financial and asset management functions of the District that exceed or comply with industry standard for municipal agencies. This is evidenced by the two recent recognitions of TCSD by the California Special Districts Association (CSDA) as a District of Distinction and the Certificate of Transparency. The list of the criteria for these two mention awards are attached. (Attachments 3 & 4)
- Several areas for improvement were identified during the review and listed in this report as a Committee Recommendation for potential staff action and/or future consideration.
- Due to the District's small staff size, some internal controls are impractical or are too difficult to implement and maintain.

Submitted by:

Geoff English, Administrative and Finance Committee Chair

Wayne Petersen, Administrative and Finance Committee member

Attachment #1- Letter from SLO County Auditor-Controller dated 10-17-18
Attachment #2- Internal Control Checklist
Attachment #3- CSDA District of Distinction Award Criteria
Attachment #4- CSDA Certificate of Transparency
ADMINISTRATION/FINANCE COMMITTEE MEETING
September 10, 2019 at 11:00 a.m.

The District Administration/Finance Committee will meet on Tuesday, September 10, 2019, at 11:00 a.m. in the Board Meeting Room of the Templeton Community Services District at 206 5th Street, Templeton, CA.

AGENDA:

1) Audit: The Committee will meet with the Auditors to discuss the annual audit, progress and preparation of financial statements.

2) County Auditor’s Checklist: The Committee will discuss their review of the County Auditor’s checklist.

3) Use of Solid Waste Franchise Fees: Staff will review with the Committee the limitations of use of Solid Waste Franchise fees.

The public is invited to attend this meeting and will be afforded time to discuss any item on the agenda.